



# Attorney General of New Mexico

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Attorney General

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April 6, 2006

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BY FACSIMILE 476-0161 AND FIRST-CLASS MAIL

Ben R. Lujan, Chairman  
Daniel W. Mayfield, Chief of Staff  
New Mexico Public Regulation Commission  
1120 Paseo de Peralta  
P.O. Box 1269  
Santa Fe, New Mexico 87504

Re: Insurance Division of the Public Regulation Commission

Gentlemen:

Thank you for your joint letter of March 24, 2006 requesting my review of materials relating to the Insurance Division and the Century Bank custodial bank contract and further requesting my recommendations concerning this matter.

Based upon my Office's initial review of the materials you forwarded, and our review of the October 2005 adverse audit findings against the Insurance Division by the Legislative Finance Committee (LFC), I recommend that the Public Regulation Commission (PRC) suspend Eric Serna immediately from his duties as Superintendent of Insurance pending further review and action by the PRC and the completion of the review you requested by my Office.

I make this recommendation because it is clear from the materials you sent and the adverse findings of the October 2005 LFC audit that there is an inadequate controls environment within the Insurance Division that has persisted for some time. Both the Century Bank matter and the adverse audit findings of the LFC audit present disturbing similarities. In both matters contracts were issued at the direction of the Superintendent that involved questionable payment levels to Insurance Division vendors. These contracts were issued pursuant to questionable

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Ben R. Lujan, Chairman  
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Page Two

procurement processes. In both matters contracts were issued without any legal review.

I recommend that the PRC take prompt appropriate action to address these problems. Public confidence in the Insurance Division will be further damaged if Superintendent Serna remains in charge at the Insurance Division.

Sincerely,

PATRICIA A. MADRID  
Attorney General of New Mexico

cc: Commissioner E. Shirley Baca  
Commissioner David W. King  
Commissioner Lynda M. Lovejoy  
Commissioner Jason Marks